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SUBJECT: Financial Action Task Force Scen setter:
Singapore's Slow Steps Toward AML/CFT Implementation

REFS: A) SINGAPORE 126 B) 04 SINGAPORE 3540 C) HOROWITZ-

DEGARABEDERIAN EMAILS D) 04 State 241413

1. (SBU) Action request and summary. Singapore is beginning to make some progress in mapping out legal and regulatory changes to implement the Financial Action Task Force (FATF) Revised 40 Recommendations on anti-money laundering (AML) and Special 9 Recommendations on countering the financing of terrorism (CFT). In anticipation of the upcoming FATF Plenary, which Singapore will host June 8-10, we offer the following overview of where Singapore stands in this regard. We request that U.S. FATF delegates raise points in para 7 in their discussions with Singapore counterparts. We are particularly interested in ensuring that Singapore adopts the best possible AML/CFT regime to govern cash couriers and casinos, fully implements cooperation under the recently concluded Financial Intelligence Unit (FIU) Memorandum of Understanding (MOU), and concludes a Mutual Legal Assistance Treaty (MLAT). We also request the Department's assistance in responding to AML/CFT questions raised by GOS officials (para 6). End Action Request and Summary.

Bogged Down: Draft Revised AML/CFT Regulations for Banks

2. (SBU) In January 2005, the Monetary Authority of Singapore (MAS) released for public comment (closed February 18) its revised draft Notice on Prevention of Money Laundering and Countering the Financing of Terrorism (Ref A); the text, which is directed at banks, can be viewed at:

http://www.mas.gov.sg/masmcm/bin/ptlAntiMone y_Laundering_and_Countering_The_Financing_of_Terrorism.htm
<http://www.mas.gov.sg/masmcm/bin/ptlReports>).

On May 24, MAS officials said Singapore's interagency FATF implementation team was "bogged down" by a number of technical issues, but asserted that the new regulations should be issued in the next one to two months. One stumbling block, MAS explained, was how to implement new customer due diligence (CDD) requirements for banks, in particular the proper level of inquiry for account holders such as corporate clients. MAS is considering dividing the Notice into two parts, one listing mandatory requirements, the other providing guidelines and supplementary information; it has not yet discussed this idea with banking sector representatives.

3. (U) Once in force, the new regulations should bring Singapore into conformity with several FATF recommendations for banks. In addition to clarifying procedures for CDD (Recommendation V) and the introduction of a risk-based approach to CDD, the Notice includes provisions that cover the following:

-- new CDD requirements for politically exposed persons (Recommendation VI);

-- new requirements for correspondent banking relationships (Recommendation VII), including those that proscribe banks from entering into, or continuing, correspondent banking relationships with shell banks (Recommendation XVIII); and,

-- revised regulations concerning the performance of CDD by intermediaries (Recommendation IX).

Wire Transfers

4. (U) The Notice will also, for the first time, require banks to obtain originator information for domestic and cross-border wire transfers per FATF Special Recommendation VII. MAS noted that, while it did not anticipate any substantive changes to the draft text, it would include language pertaining specifically to cross-border wire transfers in the final Notice only after FATF members

resolved the issue of threshold reporting requirements. MAS emphasized that its thinking on a threshold limit was in line with our own, i.e., that lowering or eliminating the threshold with respect to identification and verification of originators might drive economically legitimate transactions underground (Ref D).

After Banks: Next Steps on the AML/CFT Agenda

15. (U) After the Notice to banks comes into effect, Singapore will focus on broader implementation of several FATF recommendations, among them:

-- Other Financial Institutions:

MAS will issue new or revised sector-specific notices after the Notice to banks enters into force, including a new Notice for trustee entities (MAS will begin regulating trust companies in the near future). MAS officials said that this process should be completed before the end of 2005. MAS added that it might not request public comments since it had already received them from several non-bank financial institutions during the January - February comment period for banks.

-- Designated Non-Financial Businesses and Professions:

Although the GOS interagency FATF implementation group has begun drafting applicable AML/CFT measures, MAS explained that it was "proceeding cautiously" since implementation in other countries, it observed, had not gone very smoothly.

-- Casinos (Recommendation XII):

Lifting a forty-year prohibition, the GOS in April announced its decision to allow development of at least two integrated resorts with casinos; total investment in the projects is estimated at US\$ 4-5 billion. To address AML/CFT concerns, the Ministry of Home Affairs (MHA) will establish a Casino Regulatory Authority that will begin operating at least one year prior to when the casinos open in early 2009. Minister for Home Affairs (MHA) WONG Kan Seng told Parliament on April 18 that casinos will be required to record transactions above S\$5,000 (US\$3,000), and to report any transactions above S\$10,000 (US\$6,000) to the regulator; all records must be kept a minimum of seven years.

In a May 31 meeting, MHA officials said that the GOS is currently studying the casino regulatory environment in a number of jurisdictions, in particular those in Australia, and to a lesser extent, Nevada and New Jersey. They noted that the GOS was prepared to implement AML/CFT regulations that were more stringent than those recommended by FATF.

-- Cash Couriers (Special Recommendation IX):

MHA is currently considering implementation of FATF Special Recommendation (SR) IX, adopted in October 2004 at the FATF Plenary in Paris, concerning the physical cross-border transportation of currency and bearer negotiable instruments. MHA said it was inclined to develop regulations based on a disclosure rather than a declaration system, and wanted to discuss further the advantages and disadvantages of each system to ascertain which of the FATF options other jurisdiction were considering. Unlike the majority of FATF recommendations, in which Singapore can undertake regulatory changes to effect implementation, MHA has determined that SR IX will require amendments to existing laws. MHA noted that implementation of SR IX will require considerable consultation beforehand, and that relevant laws and regulations therefore would not be in place before 2006.

-- Predicate Offenses (Recommendation I):

Singapore is revising its list of predicate offenses that, by law, can serve as the basis for money laundering or terrorist financing charges, and expects to issue a final list by the end of 2005. The Corruption, Drug Trafficking, and Other Serious Crimes (Confiscation of Benefits) Act of 1999 (CDSA) criminalizes the laundering of proceeds from narcotics and 183 other serious crimes. Many offenses included in the expanded FATF list of designated predicate offenses, such as "counterfeiting and piracy of products" and "environmental crime," however, are not on Singapore's current list.

GOS Queries and Information Requests

16. (U) Action Request: Post requests Washington's assistance in providing responses to the following GOS queries and requests for information (Ref C):

-- Beneficial Owners and Customer Due Diligence:

MAS said that one of its biggest issues in finalizing the draft Notice to Banks pertains to the identification of beneficial owners. MAS would appreciate information about how the USG has dealt with this issue; how home institutions have undertaken the tracking of beneficial owner information; and USG opinions about what the realistic expectations of this FATF recommendation might be.

-- Correspondent Banking and Securities:

MAS is finding it difficult to draw up AML/CFT implementation guidelines as they pertain to correspondent banking and securities/stock brokering, and requests additional information about equivalent requirements and guidelines used in other financial sectors.

-- Designated Non-Financial Businesses and Professions:

The GOS is concerned about implementation difficulties encountered in other jurisdictions, including the United Kingdom, and would appreciate more information about how the USG is implementing relevant regulations.

-- Grace Periods and E.O. Designations:

The GOS questioned whether the Executive Order (E.O.) designation system includes a grace period during which financial institutions are not penalized for failing to immediately identify a newly designated terrorist or terrorist organization. The GOS wants to learn more about how regulators have dealt with, or are prepared to deal with, this type of scenario.

Discussion Topics

17. (SBU) Action Request: Post would appreciate it if members of the U.S. FATF delegation could focus on the following issues in discussions with Singapore officials responsible for AML and CFT issues:

-- Cash couriers: Singapore has no regulations on physical cross-border transfers of cash. Underscore the need for the GOS to implement on an urgent basis Special Recommendation IX concerning cash couriers to address this deficiency, and to adopt a declaration rather than a disclosure system. (Note: Bulk currency transfers are one of the most common forms of money laundering in the Southeast Asia region. End Note.)

-- Casinos: Singapore has decided to go ahead with development of two multi-billion dollar integrated resorts with casinos. GOS efforts thus far to establish a casino-related regulatory regime appear uncoordinated, as evidenced by the number of separate but similar GOS queries for information made to our law enforcement representatives. Urge the GOS to adopt international best practices in tracking suspicious transactions and combating money laundering related to casinos. Press for greater government-to-government cooperation and coordination at the interagency level to ensure smooth implementation of the many regulatory and legal changes that the GOS will need to undertake with regard to casino operations.

-- FIU MOU: The USG and GOS signed an MOU in December 2004. Seek Singapore's strong support in fully implementing FIU cooperation under this agreement.

-- MLAT: The USG (State L Bureau and DOJ International Affairs) and the GOS had two rounds of MLAT talks in November 2003 and April 2004. U.S. negotiators have been frustrated, however, by Singapore's insistence on limiting the set of crimes for which assistance may be rendered, among other issues. Underscore the need for a comprehensive Mutual Legal Assistance Treaty with the U.S.

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